



King County
Administrative Policies and Procedures

General Administrative
Policies & Procedures

Title

Write-Off of Uncollectible Accounts Receivable

Document Code No.

FIN 11-3 (AP)

Department/Issuing Agency

Office of Financial Management, Accounting Services

Effective Date

Dec. 1990

Approved

Dat Steel

Chief Financial Officer

[Signature]

Chief Accountant

1.0 SUBJECT TITLE: Write-Off of Uncollectible Accounts Receivable

1.1 EFFECTIVE DATE: December, 1990

1.2 TYPE OF ACTION: New

1.3 KEYWORDS: (1) Accounts Receivable; (2) Bad Debts; (3) Uncollectible Accounts Receivable; (4) Write-Offs

2.0 BACKGROUND AND PURPOSE

2.1 Background:

Various King County departments have non-tax accounts receivable resulting from their daily operations. Some of these receivables are with governmental organizations and others are with private individuals and businesses. Some of these receivables become delinquent from time to time. However, the delinquent receivables from private sources are most likely to become uncollectible and can be considered for write-off as bad debts.

Some situations which may result in writing-off uncollectible receivables include:

2.1.1 Getting delinquent accounts receivable back from the collection agency as uncollectible.

2.1.2 Losing in a litigation involving accounts receivable.

2.1.3 A debtor filing for bankruptcy and the bankruptcy court has determined that we would get little or nothing on the receivable.

2.1.4 Being advised by the Prosecuting Attorney's Office that it would not be productive to sue a debtor.

2.2 Purpose:

To establish uniform guidelines for determining delinquent accounts receivable which should be considered as bad debts and written off. Also, to provide a fair representation of accounts receivable in King County's financial statements.

3.0 ORGANIZATIONS AFFECTED

All County agencies involved with non-tax receivables.

4.0 REFERENCES AND WORKING MATERIALS

4.1 Administrative Policy/Procedure FIN 11-2 "Provision for Estimated Uncollectible Accounts Receivable".

5.0 DEFINITIONS

5.1 Accounts Receivable: This includes all non-tax debts owed to King County by the private sector and by other governments.

5.2 Aged Trial Balance of Accounts Receivable: A schedule classifying the balances of all accounts receivables according to varying lengths of time the accounts are past due.

5.3 OFM: Office of Financial Management, Accounting Services Division.

6.0 POLICIES

6.1 County agencies shall prepare and review an aged trial balance of their accounts receivable as often as necessary, but at least annually at year-end, in order to determine if any delinquent receivables should be written off as bad debts. Policy/Procedure FIN 11-2 shall be adhered to.

6.2 County agencies shall send their requests to the Chief Accountant, Office of Financial Management - Accounting Services Division, to write-off receivables as bad debts. The request shall be supported by sufficient evidence of uncollectibility.

6.3 For write-off requests up to \$100, sufficient evidence of uncollectibility shall include records of telephone calls, copies of correspondence between the agency and the debtor, or record of a collection agency's inability to collect the debt.

6.4 For accounts over \$100, sufficient evidence would include copies of documents indicating court action (whether small claims or district court), or justification for an absence of court action, or attempts by a collection agency to collect on the debt.

Additionally, for accounts greater than \$1,000, evidence of concurring opinion from the Office of the Prosecuting Attorney must exist indicating that all available and lawful means by which the debt may be collected have been pursued. A statement to this effect and citing the Deputy Prosecuting Attorney's name in the requesting memo from the department will suffice.

6.5 A write-off of uncollectible accounts receivable from the County's accounting records does not constitute forgiveness of the debt and it is still payable by the debtor.

6.6 County agencies shall maintain records of accounts written-off in accordance with Federal and/or State records retention rules.

7.0 PROCEDURES

| <u>Responsibility</u> | <u>Action</u> |
|-----------------------|---|
| Agency | 7.1 Prepare and review, at least annually at year-end, an aged trial balance of accounts receivable in accordance with Policy/Procedure <u>FIN 11-2</u> . |
| Agency | 7.2 Evaluate the delinquent accounts receivables to determine if any of them should be written off as bad debts. |
| Agency | 7.3 Determine if appropriate and adequate attempts have been made to collect the debts. |
| Agency | 7.4 Prepare the General Journal entries necessary to record the write-off. |
| Agency | 7.5 Write a memo to the Chief Accountant, OFM, to request the write-off. At the very minimum, the memo should contain the following information: 7.5.1 Account description such as name, service date, amount, invoice number (where applicable), and so on. 7.5.2 Justification for the write-off request and evidence of collection efforts made as outlined in Section 6.0 "Policies". |

accordance with Section 6.0 "Policies".

| <u>Responsibility</u> | | <u>Action</u> |
|-----------------------|------|--|
| Agency | 7.7 | Prepare and sign the accounting entries for the write-off and attach them to the memo to the Chief Accountant, OFM. |
| Agency | 7.8 | Maintain records of accounts written-off in accordance with Federal and/or State records retention rules. |
| OFM | 7.9 | Review the request and the supporting details for reasonableness of the amount and adequacy of the supporting documentation. |
| OFM | 7.10 | Process the general journal entries or return them to the agency for additional supporting documentation. |

8.0 RESPONSIBILITIES

| | | |
|-----------------|-----|--|
| Dept. Directors | 8.1 | Ensure that all the provisions of this policy/procedure are met. |
| Agency | 8.2 | Review delinquent accounts receivable, determine items to be written-off, prepare necessary documents to write them off, and maintain records of all accounts written-off in accordance with Federal and/or State records retention rules. |
| OFM | 8.3 | Review the requests from agencies, evaluate the reasonableness of the write-offs, and approve/process those deemed appropriate. |

ABS:adw
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